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Summary and Implications

Summary and Implications: Foreign and Domestic Market Development

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The economics of market development, and the efficacy and efficiency of current programs, have received much attention during this workshop. Industrialization and trade liberalization have implications for market development that were also the subject of significant discussion. Discussion of public policy for achieving market growth through generic commodity promotion and research programs has concluded the program.

Impacts of Current Programs

The motives for private firm involvement in market development are to differentiate products to capture economic rents in the imperfectly competitive market. Commodity producers as a group are motivated to expand the market so they may share in the increased total receipts obtained through market expansion efforts. The role of public policy in this context is to design policies that encourage imperfectly competitive firms to make productive use of rents so that market development efforts lead to growth in economic welfare.

An important role for agricultural economists is in measuring the efficacy of current market development programs. We have focused more evaluation effort on domestic than on foreign market development programs. With increasing interna-

tionalization of markets, there is need to increase understanding of the effectiveness of foreign market development programs. And we should probably provide more research guidance for managers of both domestic and foreign market development programs seeking to obtain the greatest economic impact.

Industrialization and Trade Liberalization

Major influences on the future of agriculture include contracting and other manifestations of industrialization that are growing in importance. This raises challenges for traditional agricultural marketing policy, such as the provision of public information, particularly on prices. The growth in contracting makes readily available price information increasingly suspect in relevance as well as accuracy.

Does publicly-supported price information reflect what is going on in the private contracts? Is it accurate enough to justify the cost of obtaining and reporting public information? As market structures change, what are the implications for our traditional rationales for providing market information?

Horizontal policies are designed with little thought about vertical implications, according to Henderson and Padberg. These horizontal policies are the very ones receiv-

ing much public attention in recent years—environmental issues, food safety, etc. This implies a need for close cooperation among all participants in the food production and marketing system. What is the proper future role of government as an “industry advocate” versus “watch dog”? As industry advocates, some countries’ policies are increasingly important in light of trade liberalization which reduces the acceptability of direct subsidy programs. This suggests a more industry-advocate policy approach than we have traditionally had in the United States, counter to the philosophy and program implementation for many marketing programs.

Current government marketing policies and programs need to be redesigned to be more consistent with evolving industry structure, increasingly international markets and an increasing consumer marketing orientation for commodity producers. Agricultural economists helped design the existing institutions and need to rethink how well they fit today’s evolving marketing system. Do they facilitate technological innovation or hinder its adoption? How can we move from general agreement that we should do something to actually developing prototype institutions better suited to today’s environment? Can we help identify market failures that can best be dealt with through public policy? What role is there for public policy in enhancing intellectual capital which is arguably where the future of U.S. market advantages lie?

These questions raise challenges for agricultural economists to understand better how the international companies in the forefront of industrializing agriculture really operate. What are the implications for market development? What is the role for public policy? According to Schmitz, it is to monitor what international companies are

doing so that producers are at less disadvantage in contracting with them. But as Westgren points out, ongoing contracts result in some learning on both sides, thereby reducing potential differences in knowledge.

We had interesting discussion about setting land grant and federal agricultural and agricultural economics research agendas so they are relevant to public policy and private sector decision makers. The implications for foreign and domestic market development are that we must do research that helps policy makers, commodity groups, and program managers evaluate economic efficacy of programs and allocation of available funds.

Public Policy

Given the significant changes in industry structure, it is less clear what the public good justification is for research contracts with large corporations that may capture the economic rent from discoveries. The same concerns may be raised about commodity promotion, particularly programs competitive for market share, such as beef versus pork.

Agricultural interests are likely to look to market development as a way of replacing revenues lost due to budget pressures and trade liberalization restraints on current subsidies. Are the existing policy tools and government marketing programs attuned to evolving needs? What institutional changes are needed? How can we help design them to be most productive and protect the public good which we will need to help define? What do we have to contribute to such issues as new products to utilize agricultural commodities as a market development tool?

There are likely to be more aggressive marketing programs as commodity groups

look for ways to stay competitive in an increasingly global market. Questions remain about the public good rationale for commodity promotion and market development and the proper role for government, the commodity boards and individual producers in the decision making and administrative process. Agricultural economists have many opportunities for work in this area, even if we do not have passage of Olan Forker's recommendation to require public disclosure of advertising and promotion efforts.

Public interests, both in terms of the public good and sharing costs of funding promotion programs, need attention. Whose money is it? Who should have anything to say about it? These are questions on which economists frequently disagree with commodity organization representatives. We need to bring useful discussion of these issues to into the public arena.

In conclusion, agricultural economists have a long way to go to deal with a number of knotty issues relating to foreign and domestic market development.

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